

## Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

INR-10 NSAE-00 RSC-01 FAA-00 DOTE-00 L-03 DRC-01 /061 W

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R 292016Z JAN 74

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 2596

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E.O. 11652: N/A

TAGS: ETRN, CA

SUBJECT: CIVAIR: AIRPORT CHARGE STILL UNDER REVIEW

REF: OTTAWA 3110

1. CANADA'S PROPOSED AIRPORT FEE REMAINS IN LIMBO AS A RESULT OF REPRESENTATIONS MADE EARLY THIS MONTH BY US AIR TRANSPORT ASSOCIATION (ATA) AND AIR TRANSPORT ASSOCIATION OF CANADA (ATAC). MOT AVIATION OFFICIALS HAVE ADVISED TCO THAT CARRIERS ARE SEEKING SUBSTITUTION OF FIVE PERCENT PASSENGER TAX AUTHORIZED BY 1969 LEGISLATION FOR \$2.50 FEE BECAUSE OF VARIETY OF ADMINISTRATIVE AND FINANCIAL DIFFICULTIES WITH FEE CONCEPT. TRANSPORT MINISTER MARCHAND AGREED CONSIDER SWITCH(WHICH IS FAVORED BY SOME AT OFFICIAL LEVEL) AND ISSUE WILL GO BACK TO CABINET. THUS, CHARGE NOW CONSIDERED NOT LIKELY TAKE EFFECT BEFORE APRIL 1 AND COULD BE MUCH LATER IF DECISION TAKEN TO GO TAX ROUTE. IN THIS CONNECTION, CARRIERS ARE ALSO URGING AMOUNT OF TAX IMPOSED ON ANY SINGLE TICKET BE LIMITED (E.G, \$10 MAXIMUM) TO MINIMIZE EFFECT ON LONG-HAUL JOURNEYS. THIS WOULD REQUIRE LEGISLATION AMENDING 1969 ACT. OFFICIALS CONSIDER THIS REASONABLE.

2. ONE EFFECT OF APPLYING TAX INSTEAD OF FEE WOULD PROBABLY BE THAT TAX WOULD BE SEPARATELY IDENTIFIED ON TICKET AND BE BORNE DIRECTLY BY PASSENGER. HOWEVER,  
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FEE, AS PRESENTLY CONTEMPLATED, WOULD BECOME PART OF CARRIER COSTS TO BE RECOVERED BY UPWARD REVISION IN

FARES. (MOT SOURCE NOTED FEE COULD ALSO BE LEVIED AS DIRECT CHARGE ON PASSENGER BUT IT UNCERTAIN WHETHER CANADIAN TRANSPORT COMMISSION (CTC) WOULD APPROVE.) INCLUSION OF FEE IN ADJUSTED FARES WOULD RESULT IN HIGHER TRAVEL AGENT COMMISSIONS. FIVE PERCENT TAX ESTIMATED TO PRODUCE YIELD TO GOC SLIGHTLY HIGHER THAN \$2.50 FEE. UNDER TAX PROPOSAL MOT SECURITY CHARGE OF \$0.30, WHICH UNDER FEE PROPOSAL WOULD BE ADDITIONAL TO \$2.50 GENERAL USE CHARGE AND BRING TOTAL TO \$2.80, WOULD STILL BE BORNE DIRECTLY BY CARRIER. THIS CHARGE WOULD BE REFLECTED IN COST BASE ALONG WITH CARRIER'S OWN COST OF AIRLINE SECURITY MEASURES. THESE MOT SOURCE ESTIMATES TO BE \$.050 V . \$.34 IN U.S.

3. ATAC SOURCE HAS ADVISED TCO IT MAKING STRENUOUS EFFORT CHANGE FEE TO TAX AND IS SOMEWHAT OPTIMISTIC OVER OUTCOME. IATA REPS TO MEET WITH MOT THIS WEEK AND EXPECTED TO TAKE SIMILAR LINE AS US ATA AND ATAC. JOHNSON

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## Message Attributes

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